

What is being done in  
Canada and the  
United States?

•  
What about 1941?

•  
What about a future policy?

**WHAT PART SHOULD FARMERS TAKE IN  
MAKING CANADIAN WHEAT POLICY**



## Foreword

Certain of our agricultural problems in the west are not easy to solve. But the better they are understood and the better the various proposals for alleviating them are understood, the sooner we are likely to reach satisfactory solutions.

The outline which follows on "Wheat Policies in Canada and the United States" is a brief though valuable summary of the recent history of wheat policies in these two countries, and one which I commend to the farmers of Manitoba for their study. The programs carried on across the international border in recent years may not be suitable for Canada; but the experiences of that country should be useful in the consideration of any plans Canada may feel it necessary to make. We would do well to inform ourselves on the arguments for and against the plans adopted by our neighbors to cope with a situation which is causing so much concern to all governments in surplus wheat producing countries.

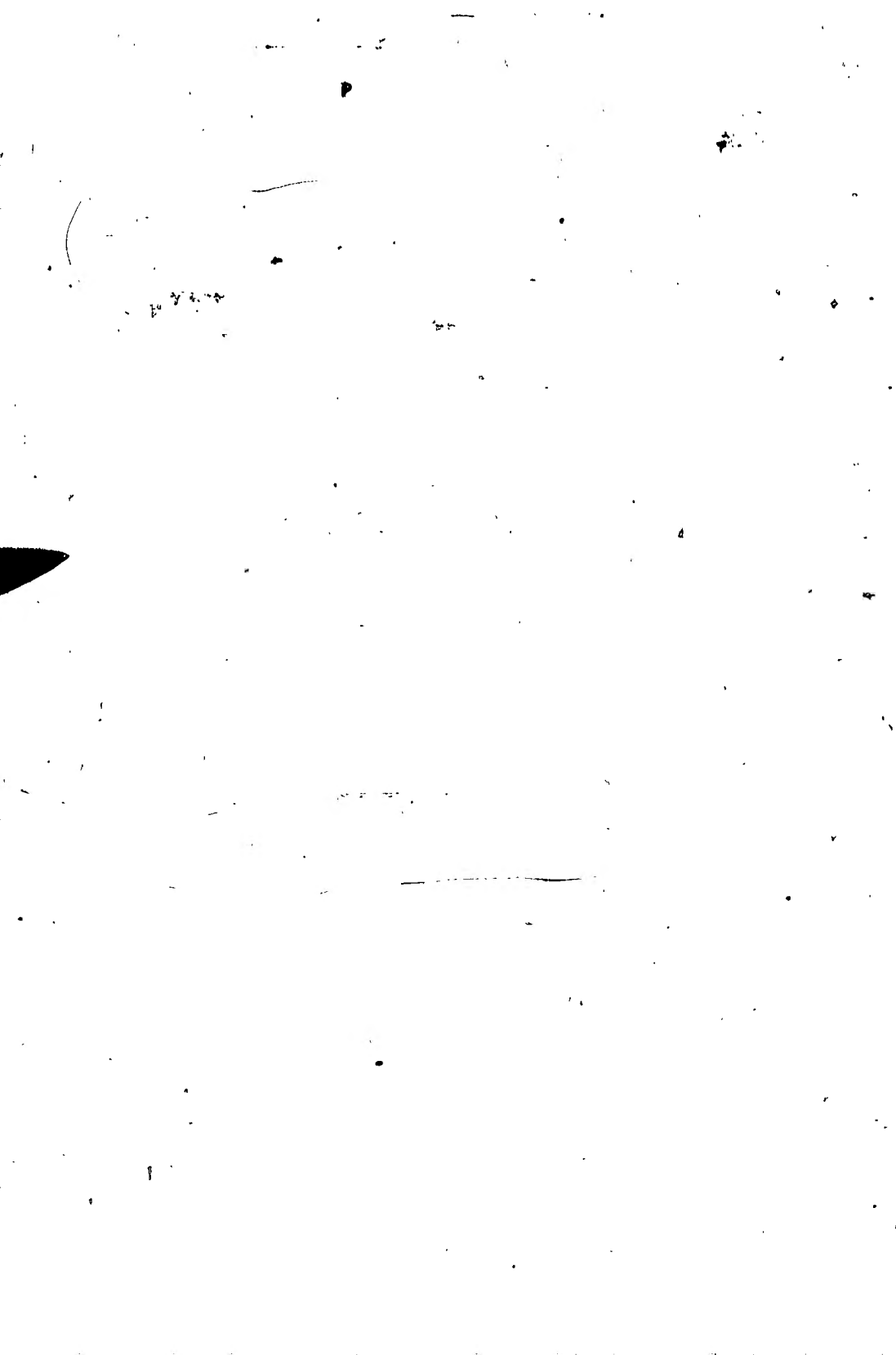
If new trails should have to be followed in the future with respect to wheat, the objectives, plans and results of other efforts should be found useful in helping to shape our own course.

JOHN BRACKEN,

Premier of Manitoba.

WITH THE COMPLIMENTS OF  
MANITOBA FEDERATION OF AGRICULTURE  
610 ROYAL BANK BUILDING  
WINNIPEG MAN.

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## **A STUDY OF WHEAT POLICIES IN CANADA AND THE UNITED STATES**

### **SECTION No. 1.—A Wheat Policy for Western Canada.**

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## SECTION 1.

### A WHEAT POLICY FOR WESTERN CANADA

#### Whose Job Is It to Make an Agricultural Policy?

For the greater part of the last twenty years, agricultural security has become of increasing concern to Canadian farmers. Farm prices and farm income have been subject to wide fluctuations, and have for lengthy periods been badly out of balance with the prices and income received by other major groups in the Canadian economy.

As the inevitable result, farm debt has been increasing, reserves accumulated in good years have been swallowed up, the farm equipment of machinery and buildings has deteriorated. Steps may have to be taken to preserve the agricultural industry from sinking into insolvency. Whose job is it to form an agricultural policy for Canada? But first, how is agricultural policy made, and how does it become a program?

A policy usually gets its start in the ideas of small groups of people who get together and who find themselves in agreement. As more groups gather to discuss these ideas, the policy gathers momentum and by and by a political group takes it up and makes it part of a legislative program. Still later it is expressed as a law in the provincial or federal parliaments, or both.

The responsibility of developing agricultural policies within a country rests upon three groups: (a) primarily the farmer, through his organizations; (b) the provincial government; (c) the federal government.

Farmers and their organizations have to play the major part in improving the economic and social status of farming. If farmers are going to have a real part in forming a national wheat policy, they have got to make known the real interests of agriculture and develop the leadership to express them. It is to be expected that the farmers and their organizations take the lead in improving the process of marketing farm products, to aid in the prevention and the control of surpluses by orderly and efficient marketing. The obligation of accomplishment rests upon the farmer and his organizations.

However, today agricultural problems have become major issues in both national and international fields. This is especially true in the case of wheat. The existence of persistent surpluses of many agricultural staple products, the contraction of international

trade, the drastic decline in the prices of grain and livestock products, and an all-embracing world depression have brought agriculture to the foreground of Canadian economic and political life. It is apparent that most of these factors are beyond the scope or control of the individual farmer. They are problems requiring the efforts of the nation as a whole. Under such conditions, farmers have to turn to the provincial and federal governments for assistance in meeting these complex problems. Thus, under such conditions, it also becomes a responsibility of the state to participate in the determination of agricultural policies.

### Questions:

1. What part in national agricultural program-making do you think should be played by
  - (a) individual farmers?
  - (b) farmers' organizations?
2. What makes agricultural policy?
3. How do policies become programs?

### The Importance of Wheat in the Western Canadian Economy

Approximately one-third of the farmers in Canada derive the major part of their income from the sale of wheat. Therefore,



anything that affects this product, both in the production and marketing processes, has an important bearing upon Canadian agriculture in general. But in particular, the farmers in the three Prairie Provinces are vitally affected by the behaviour of wheat in yields and prices, for out of a total wheat acreage of 26,756,500 acres in

Canada in 1939 as a whole, 25,813,000 acres were found in the three Prairie Provinces.

The purpose of this pamphlet is to outline the various measures provided by the Canadian government to aid the growers of wheat during the period between 1917 and 1940. Each individual farmer may evaluate these measures in the light of his own and his neighbor's experiences. It is by means of these many individual judgments that a unified agricultural policy may be reached.



Agriculture attained its present importance in Canada because of the existence of a substantial export market in addition to a steady expansion of the domestic population. When the export markets began to contract, agricultural distress in this country became increasingly evident. Because the welfare of the whole nation is so closely interwoven with that of agriculture, the problems of our farmers are of great national concern. However, as we plan the future national policy, careful appraisal of the facts is necessary.

In the last hundred years we have witnessed many changes in the world-wide agricultural picture. Thus in the period following the industrial revolution, beginning in the latter part of the nineteenth century, countries like Great Britain, France and Germany became buyers of wheat. On the other hand, while the major countries in Europe were becoming industrialized, Canada, United States, Australia and Argentine were expanding their agricultural production. The rapidity of expansion of wheat acreage in Canada is shown by the fact that during the period between 1881 and 1911, the acreage sown to wheat increased from 2,366,554 acres to 8,864,514 acres.

This rapid growth of wheat production as shown by the above figures indicates that agriculture in Canada, throughout this period, was continually pressing forward into surplus production and into an increasing dependence upon external markets.

The World War created unusual demands for Canadian agricultural products, especially wheat, and Canadian agriculture organized to meet these demands as its contribution to the winning of the war. Production and productive capacity also expanded in other countries such as the United States, Australia, and Argentina, to meet the wartime decline in European farm output. The continued dependence of European countries on foreign farm products for a time after the armistice, gave rise to still further expansion in farm output during the brief post-war boom. In the meantime, Europe's agricultural production (in terms of acres and yields) began to return to pre-war levels. In the post-war depression European buying power collapsed and set in motion a decline in the demand for Canadian wheat. Recovery from the depression after 1920 was accompanied by a partial restoration of demand for our wheat. But the restoration of European production continued persistently, accompanied by an expansion here and in other wheat exporting countries. As yet, most of us felt

quite confident that as far as we were concerned in the west, there would always be a market for all the wheat we could grow, even if prices would not always be profitable for the producer.

In 1932 the Canadian wheat acreage had expanded to 27,182,100 acres. It is significant to remember that this development of wheat production was primarily a response to the demand in markets largely beyond the borders of Canada. This development in itself brought the prairie provinces into very close economic relationship with the outside world and particularly with the United Kingdom and other European countries.

However, the beginning of the thirties witnessed a depression which was to have lasting effects. In Europe the slow development of extreme nationalism came to maturity in rapid fashion. Each country strove to attain a self-sufficient economy. This attempt was reinforced by ever-increasing measures of regulation and control in the form of restrictive tariffs on wheat imports and bonuses on domestic production, and milling quotas sometimes so high as to prohibit imports. The resultant contraction in our exports plus low prices plus the existence of a large wheat surplus created a serious economic situation in the west. The farmers of the prairies were the first to feel the financial effects of this depression.

The general wheat situation was now reviewed in terms of overproduction, over-expansion, reduction in acreage, regulation of production, international control of wheat marketing. Farmers had to make adjustments — adjustments in production as well as in marketing. However, the situation called for government participation. The federal government had previously participated in the marketing of wheat during the last Great War.

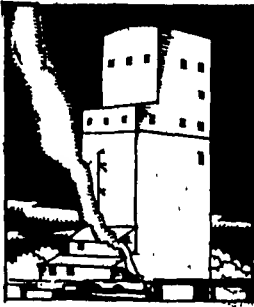
### **War-time Marketing of Grain**

During the war years 1917-18 and 1918-19, the handling of Canadian wheat was done through the federal government controlled board known as The Board of Grain Supervisors when the price of wheat in Canada was fixed by guarantee of the federal government at \$2.40 a bushel, then lowered to \$2.21 per bushel to correspond with the minimum price established in the United States.

### **Canada Wheat Board, 1919-1920**

The Board of Grain Supervisors was discontinued at the end

of the war and its place was taken by the Canada Wheat Board, established largely on the demand of the organized farmers through the Canadian Council of Agriculture. In order to prevent chaos in the wheat market, the Council asked in August, 1918, for the establishment of a Board and repeated its demand in July, 1919.



The Wheat Board was necessary because at that time all buying of wheat in Europe was controlled by governments, financial regulations abroad required constant government intervention and the United States had established government control over the purchase, sales and price of wheat.

The Canada Wheat Board was brought into existence on July 31, 1919. A central feature was "pooling" of the returns from the sale of the nation's wheat so that all producers received the same price for the same grade, basis Fort William. To the western wheat growers, the Board afforded an impressive demonstration of a method of marketing under which future trading was suspended, internal competition was eliminated, handling margins and grade differentials were narrowed and the grower was paid on the basis of the average returns realized from the sale of the entire crop. The initial payment was \$2.15 per bushel with a final payment of 48 cents per bushel, a total price of \$2.63 basis No. 1 Northern, Fort William.

In 1920, the federal government terminated the operations of the Wheat Board. Future trading was resumed on the Winnipeg Grain Exchange on August 18, 1920, after being suspended since May, 1917, with the exception of one week in July, 1919.

Agitation for the continuance of the Wheat Board received general support on the prairies but was opposed by the grain trade and milling interests. In 1922 the government at Ottawa, responding to representations of organized farmers, passed a measure providing, with similar provincial legislation, for the establishment of a Wheat Board. The legislation was not put into effect.

### The Wheat Pools

In consequence, the farmers turned to the organizing of a

Voluntary Contract Pool in each of the three prairie provinces.



Between 1923 and 1930, the Pools, marketing approximately fifty per cent of all wheat delivered, dominated the Canadian grain trade with the government a passive bystander.

### **Provincial Government Assistance**

The crisis of 1929-30 set the stage for the re-entrance of the government in the marketing of wheat. The record low price of wheat was a serious matter for the whole of Canada but more intimately concerned the prairie provinces. The pools were among the first to feel the financial effects of the depression. In order to avert the disastrous dumping of large quantities of wheat upon a declining market because of financial pressure, the pools appealed to the governments of Manitoba, Saskatchewan and Alberta for assistance to prevent forced selling of remaining holdings of the 1928 and 1929 crops. The three provincial governments readily consented and guaranteed the existing indebtedness of the pools to the banks and any further advances found necessary up to August 1, 1930.

### **The Central Selling Agency**

But prices continued to fall and representations were made by the pools and the provincial governments to the federal government at Ottawa to provide guarantees. It became apparent that the wheat surplus with the correspondingly low prices had developed into something that the organized farmers could not cope with alone and that it was the responsibility of the Dominion Government to assist in the marketing of wheat if a national crisis was to be avoided. The Dominion Government complied and through an arrangement entered into by the Central Selling Agency of the pools and approved by all parties, Mr. J. I. McFarland became manager of the Agency in November, 1930, taking charge of the carryover of the preceding years 1928 and 1929 and of the 1930 crop. Dominion government guarantees were then given in connection with the marketing and the deliveries of the 1930 crop.

### **Price Stabilization Measures**

Shortly after Mr. McFarland became manager of the Agency (Canadian Co-operative Wheat Producers Limited) there began

what, was called price stabilization measures. These went on till the fall of 1935 and were financed by the banks under Dominion Government guarantees.

The purpose of price stabilization was two-fold. In the first place, these measures were designed to act as shock absorbers, that is, to cushion the bumps or in terms of price, to reduce the daily, weekly, et cetera, price fluctuations of wheat. In the second place, to act as price supporting measures, that is to prevent further price declines. The price stabilization measures consisted in holding unusually large quantities of grain out of the market for a long period of time, and in adding to the Central Selling Agency's cash wheat holdings by buying futures. In other words, the Agency bought and stored wheat whenever it felt that the price of wheat was dropping to low levels and sold such quantities and at such times as it could at a satisfactory price.

The activities of the Agency (Canadian Co-operative Wheat Producers Limited) between November, 1930, and December, 1935, resulted in the accumulation of 205,187,000 bushels of wheat — 53,728,000 bushels cash wheat and 151,459,000 bushels futures.

#### **Other Government Measures**

**The five cent bonus.** The federal government passed an act in 1931 providing for the payment of a bonus of five cents per bushel for every bushel of wheat grown in Manitoba, Saskatchewan and Alberta in the year 1931 and delivered to marketing agencies. The Act expired July 31, 1932. The total amount paid out to producers amounted to \$12,719,900.00.

Other special measures were: (a) On August 14, 1933, trading in October futures below 70 $\frac{1}{8}$  cents per bushel was prohibited. This order was cancelled September 15, 1933. (b) On November 1, 1934, the December futures and the May futures were pegged at 75 cents and 80 cents, respectively. Subsequently the July future was pegged at 80 cents.

World conditions during this period did not improve materially. Stabilization operations, though helpful, were in themselves not enough to handle the difficulties of the wheat industry. Organized farmers intensified their demand for a national wheat board. They felt that the existing marketing institutions such as the grain futures market had proved their inability to meet these economic difficulties. It was their opinion that the present wheat situation called for organized national effort. In 1935 the Canadian Government recognized the need for such a board.

### Questions

1. What changes occurred in the demand for Canadian wheat in European markets in the period between 1920 and 1930?
2. On the basis of your own experience, could you list some of the attractive features of the Wheat Board of 1919-20?
3. What were the price stabilization measures?

## SECTION 2

### THE CANADIAN WHEAT BOARD, 1935-1940



#### The Canadian Wheat Board — 1935

The Canadian Wheat Board was created by the federal government in July, 1935. The functions of the Board were to buy and sell all the wheat and the contracts for the delivery of wheat held by the Central Selling Agency (Canadian Co-operative Wheat Producers Limited) and also to receive all wheat delivered to it by farmers in the prairie provinces. The use of the Board by farmers was optional. The selling policy of the Board was:

1. To offer and sell continuously wheat at what was regarded as a reasonable price — with the object of promoting the sale and use of Canadian wheat in world markets.
2. To sell the stocks of Canadian Co-operative Wheat Producers Limited, which the Board had acquired,

in such a manner as to prevent any decline in world wheat prices.

3. The Board was empowered to use the existing marketing agencies and if these proved unsatisfactory, to set up its own.

The Board was also empowered to fix a minimum price paid to producers for their wheat. Thus for the year 1935-36 the minimum price for One Northern, in store at Fort William, was set at 87½ cents per bushel and the lower grades at proportionate discounts. Furthermore, the Board issued certificates to producers who sold their wheat to the Board, entitling them to share in any returns after providing for the necessary expenses of the Board arising from the disposal of the 1935 crop. The result of the Board's operations for the year was that the holdings were reduced from 295,376,167 bushels at the end of November, 1935, to 84,698,652 bushels at July, 1936. Of this total, 2,030,761 bushels was the amount of the 1935 crop on hand and 82,667,891 bushels, the remaining amount of the holdings of the Canadian Co-operative Wheat Producers Limited. It should be pointed out that the sales of Canadian wheat were facilitated by crop failures in Argentina and the United States. It should be noted that in fixing the price in 1935, the Board established price levels which it felt to be justified by the world wheat situation.

### The Crop Year, 1936-37

In the crop year 1936-37 minimum prices were fixed at the same levels as in 1935-36, namely 87½ cents per bushel, but with the provision that the Board would only accept deliveries from producers if the closing market price dropped below 90 cents a bushel for One Northern in store at Fort William.



WHEAT POOL BUILDING - WINNIPEG

During the year following August 28, 1936, Winnipeg closing prices for One Northern remained above 90 cents and no deliveries were made by producers to the Board during the crop season. The Board carried 84,698,652 bushels of wheat and contracts into the new crop year (1936-37). Short crops both in Canada and the United States resulted in improved demand and steadily rising prices throughout the crop year. Because of this favorable condition, most of the holdings of the Canadian Co-operative Wheat Producers Limited



were disposed of at a net profit of \$9,628,881. Part of the profit was used to make equalization payments.

In April, 1936, the 1930 Wheat Crop Equalization Payments Act was passed by the Dominion parliament. This act provided funds to allow the provincial pools to equalize payments to their members at 60 cents a bushel, basis No. 1 Northern at Fort William on wheat delivered to the 1930-31 pools. The total of payments authorized by the Act in respect to wheat was a sum not exceeding in aggregate \$6,600,000.00. The amount actually disbursed to the 1930 growers was \$6,445,576.00.

### **The Crop Year, 1937-38**

Throughout this crop year the Wheat Board did not accept deliveries from wheat producers as the price remained well above the 90 cent level set by the Board for One Northern.

### **The Crop Year, 1938-39**

A sharp change in the wheat situation was evident during the first six months of 1938. Prices fell sharply from the peak of January, 1938, with particularly large declines in May and July. This was partly due to the large carryover in the U.S.A., partly to the very low world demand for wheat, and partly because of the improved crop situation in Western Canada. As a result in August, 1938, the minimum prices at which the Board stood ready to accept deliveries were lowered, One Northern being fixed at 80 cents a bushel, Fort William and Port Arthur. Participation certificates were again distributed and the provision that the Board would not accept deliveries until the price of One Northern fell below 90 cents was dropped.



Because of the low prices in 1938 the Board got practically the entire market crop of the prairie provinces. The policy of the Board was that of offering wheat on the world market at all times. It should be noted that the Board's buying price had no necessary relationship to its selling price and that at no time would the Board hold off the market on price considerations.

### **The Crop Year, 1939-40**

Because conditions in relation to wheat had not improved

over 1938 and because they were similar to those of 1935 — low demand, existence of a large surplus and prospects of a good crop— as well as the expressed desire on the part of farmers and their organizations, the Wheat Board was continued for the crop year 1939-40. The legislation was amended by what is known as The Canadian Wheat Board Amendment Act.

Under the Act operations of the Board were extended to all parts of Canada where wheat is grown. The price advance was lowered from 80 cents to 70 cents per bushel for One Northern in store Fort William. It should be noted that this amount was payable only on the first 5,000 bushels delivered to the Board by each individual farmer. Quantities over 5,000 bushels were to be marketed through other agencies. Participation certificates were also distributed to the farmers who sold their wheat to the Board.

#### **Prairie Farm Assistance Act, 1939**

The purpose of the Act is to aid farmers who suffer low yields because of uncontrollable factors. There are two provisions in the Act, one dealing with crop failure and the other with "emergency conditions." An emergency year is defined as any crop year in which low prices, low yields and general conditions over which the individual has no control, combine to make the position of the prairie farmer difficult and beyond the financial care or assistance of the individual, municipality, or province. Thus the year 1939-40 was declared an emergency year, due to the fact that conditions over which the individual had no control had been unfavorable throughout the past number of years in the west. A crop failure may be declared in any one of the prairie provinces, in any year when the Minister of Agriculture is assured that the yield of wheat is five bushels or less because of any cause other than hail damage in 135 townships in Saskatchewan and 100 townships in either Alberta or Manitoba. A definite basis of payment has been worked out on the basis of cultivated acreage for both the emergency and crop failure conditions. The money to cover such payments will originally come from the Dominion Treasury although there is a provision for a one per cent. levy on all grain marketed from farms in western Canada to finance these payments and if this levy should prove to be insufficient the difference is to be made up by a grant from the public fund. Payments are made on the following basis (as provided for in the Act):

## **National Emergency**

### **(Section 3)**

- (1) Any crop year in which the average price is less than eighty cents per bushel may be declared by the Governor in Council as an emergency year under this Act.
- (2) In an emergency year the Minister may, subject as in this Act provided, award to each farmer in a township a sum, by way of assistance, to be computed as follows:
  - (i) if the average yield of wheat in the township is found by the Minister to be more than eight and not more than twelve bushels per acre, the award shall be ten cents per acre of the cultivated land of the farmer for each cent, or fraction thereof, not exceeding ten, by which the average price is less than eighty cents per bushel;
  - (ii) if the average yield of wheat in the township is found by the Minister to be more than four and not more than eight bushels per acre, the award shall be one dollar and fifty cents per acre;
  - (iii) if the average yield of wheat in the township is found by the Minister to be not more than four bushels per acre, the award shall be two dollars per acre;

Provided that no award under this section shall be made

- (a) with respect to more than one-half of the cultivated land of the farmer; nor
  - (b) with respect to more than two hundred acres of the cultivated land of the farmer.
- (3) The crop year commencing on the first day of August, 1939, shall, for the purposes of this Act, be deemed to be an emergency year.

## **Crop Failure Assistance**

### **(Section 4)**

- (1) The Governor in Council may, whenever the Minister finds that the average yield of wheat, as a result of anything other than hail, is five bushels per acre or less in each of not less than one hundred

and thirty-five townships in Saskatchewan or one hundred in each of the provinces of Alberta and Manitoba, declare such provincial area to be a crop failure area.

- (2) The Minister may, subject as in this Act provided, with the approval of the Governor in Council, award to each farmer in a crop failure area by way of assistance a sum of two hundred dollars; or a sum not exceeding two dollars and fifty cents per acre with respect to half the cultivated acreage of the farmer not to exceed two hundred acres, whichever is the greater.
- (3) The Province of Alberta and the Peace River District of the province of British Columbia shall, for the purposes of this section, be deemed to be one province.

### **Wheat Co-operative Marketing Act, 1939**

The purpose of this Act is to establish a system for those farmers who wish to market their wheat on a pooling plan either through producer co-operatives or private companies.

1. It provides for any group of producers or elevator operators setting up a central selling agency at any time to handle wheat on a co-operative basis.
2. The government guarantees an advance of 60 cents a bushel, basis One Northern, Fort William, made to farmers for their wheat, by the co-operative selling agency.
3. Furthermore, the guarantee applies to unlimited quantities, thus producers who market more than 5,000 bushels could take advantage of this guarantee.

The assistance provided by the government enables co-operative wheat selling associations to finance early season operations of the producers without fear of financial loss through payment of an advance.

### **The Grain Futures Act, 1939**

The purpose of this Act is to supervise and regulate the trading in grain futures on the Winnipeg Grain Exchange, the Winnipeg Clearing House and members, to keep records and furnish information relating to the trading in grain. This function was handed over to the Board of Grain Commissioners. Some of the other provisions in the Act are for appointment of a super-

visor, the investigation of any complaint in relation to the grain trade on the Winnipeg Grain Exchange. The Act provides for such penalties as imposition of a fine and suspension from trading privileges of individuals guilty of a breach of any provision of the Act or of any order or regulation made thereunder. It may also fix minimum margin requirements and limit trading in and holding by individuals of grain futures if the Board of Grain Commissioners finds that transactions in futures trading cause or threaten to cause undue fluctuations in the price of grain.

## **The Second World War and the Wheat Farmer**

The war has seriously affected the wheat growers of the prairies. The year 1940 has witnessed a marked shrinkage in the market for Canadian wheat.



Although Canada declared war on September 10, 1939, the major effects of the action on the wheat trade were not felt until after subjugation of the continental democracies of western Europe. The loss to Canada of markets in Norway, Sweden, Denmark, Holland, Belgium, France, Germany, Italy, Finland, Greece, on the 1939 export basis, amounts to approximately 40 million bushels, but three-quarters of that were exported to these countries before the invasion of The Netherlands on May 10, 1940. Now, of course, the trade has ceased altogether.

The 1940 wheat crop amounted to 561,000,000 bushels.\* In addition there was a carryover of 300,000,000 bushels. This meant that the total available wheat on hand amounted to approximately 861,000,000 bushels.

There were two major problems that had to be solved. These were: first, what measures could the government take to stop the decline in the price of wheat?; second, how could storage space be provided for all the harvested grain?

## **The Canadian Wheat Board Act, 1940**

The wheat policy of the Dominion Government was announced in the House of Commons on July 24, 1940, in connection with amendments to The Canadian Wheat Board Act.

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\*The Dominion Bureau of Statistics revised figure of Canada's 1940 wheat crop is placed at 547,179,000 bushels. (Ottawa, November 8th, 1940.)

## **Fixed Prices**

The policy included continuation of the Wheat Board initial payment of 70 cents a bushel for No. 1 Northern, basis Fort William or Vancouver.

## **Limited Sales**

The 5,000 bushel limitation on deliveries to the Wheat Board was removed, but because of the inadequacy of storage space there was the establishment of quotas of delivery of grain from the farm to elevators or mills. The first quota of deliveries was set on August 7, 1940, at five bushels each of wheat, oats and barley per seeded acre. The quotas were not interchangeable. Subsequently, these quotas were amended and increases made at points where space was available. The quota on barley was removed altogether on September 4th and the quota on oats was removed on September 10th. On September 14, the general wheat quota was raised from five to eight bushels, but continuous revisions have given some places larger quotas. On November 22, 1940, the government announced that prior to the end of the present crop year all the wheat available will be accepted by the Wheat Board.

It is estimated that the additional storage space built for the 1939-40 crop and that built and in the process of building for the 1940-41 crop, together give a total somewhere in the neighborhood of the equivalent of 60 million bushels.

## **Processing Tax**

A processing levy of fifteen cents a bushel was imposed on all wheat processed for domestic consumption. The levy does not apply to products made for export.

## **Storage Allowance**

An allowance on farm storage equal to the rate established for country elevators was provided. This allowance is effective for a nine-month period.

The Board of Grain Commissioners announced a reduction in maximum storage rates in country elevators and terminals at the head of the lakes from one-thirtieth to one-forty-fifth of a cent per bushel per day and to one-sixtieth of a cent in Pacific coast terminals.

In addition, the Act was amended in the following respects: Ontario brought within the Act; provision made for the appointment of an Advisory Committee to the Board composed of eleven persons, six to be representative of producers; the Board to purchase from producers only; provision for an interim payment on deliveries to the Board.

**The Prairie Farm Assistance Act** was amended as follows: Emergency assistance available only when application is made for it by the provincial government or in certain cases by a rural municipality; crop failure assistance when application is made by the provincial government where the yield is five bushels or less in each of not less than 171 townships in Saskatchewan, 90 townships in Alberta, 54 townships in Manitoba; a Board of Review to be set up to pass upon the applications for assistance; elevator agents are included among those required to give information; part of an ineligible township may be substituted for part of an eligible township in which the yield is relatively high; no farmer shall receive either emergency assistance or crop failure assistance if his yield is above eight bushels and his crop in excess of 3,000 bushels.

**The Wheat Co-operative Marketing Act** was amended as follows: Primary producer to include anyone entitled under contract to receive delivery of wheat from a producer; removal of limitation of the operation of the Act to the four western provinces; if the initial payment made by the selling agency plus selling charges exceeds the price received by the agency, the amount to be made up by the government shall be the difference between the price paid and the price received multiplied by the number of bushels sold.

**The Agricultural Products Co-operative Marketing Act** was amended as follows: Selling costs to include amount for reserves; initial payment to be computed on the average price received by the producer instead of the average wholesale price; initial payment to be a sum paid in cash or credited to the producer; the government agreement to be with selling agency only.

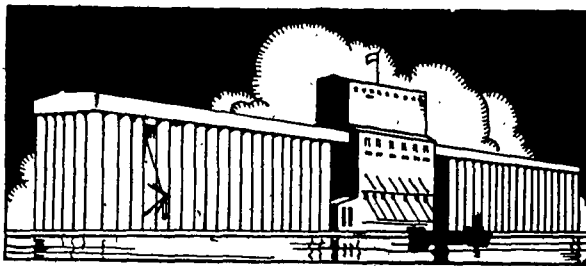
In these Acts the provision that the selling agency may be set up by other than co-operative associations remains.

### Questions

1. It has often been said that it is up to the farmer to form and make agricultural policies, that it is up to

him to watch out for his own interests. Do you agree with this viewpoint and if so, why?

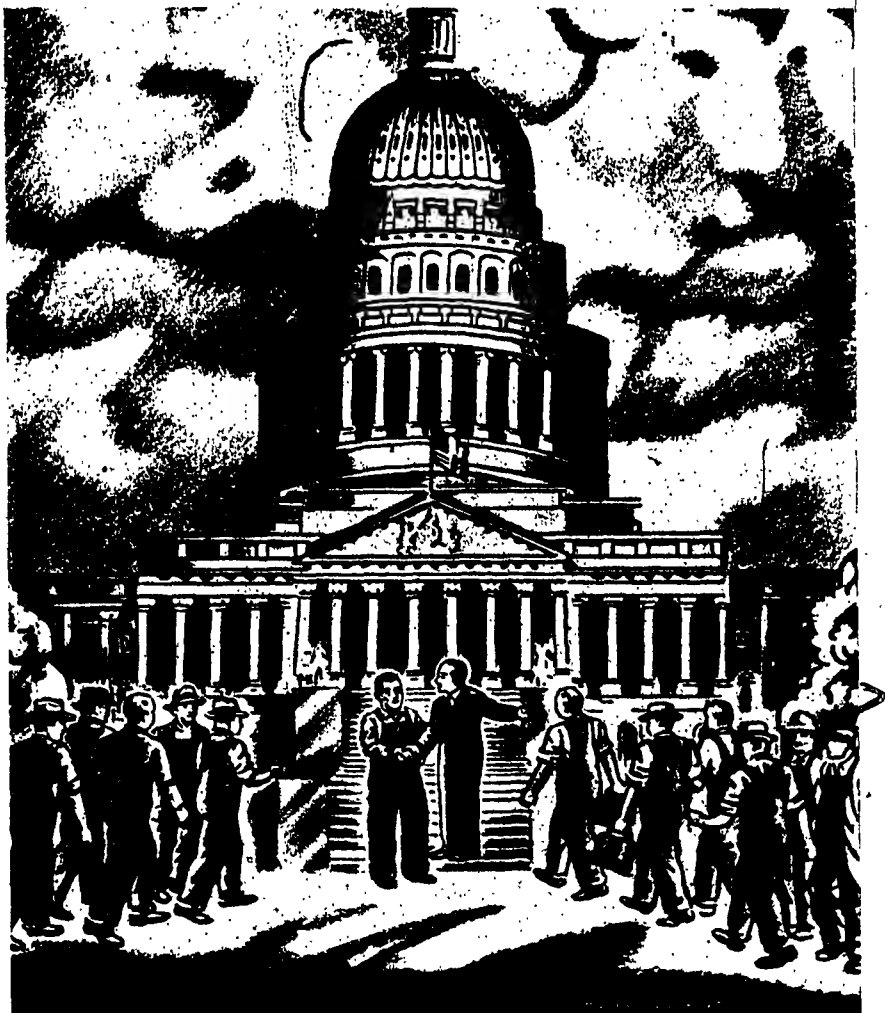
2. Based upon your experience during the last ten years would you say that the marketing of wheat has become a national problem and should be met by government plus farmer action?
3. In what ways did the Wheat Board after 1935 differ from the Pool Central Selling Agency?
4. What are the advantages of a Wheat Board?
5. In marketing of wheat do you think that the occasional government assistance in the form of a subsidy is satisfactory?
6. What minimum price for wheat would you suggest, having in mind the consumer?
7. Why did the government feel that it was not necessary to provide marketing facilities through the Wheat Board during the years between 1936 and 1938?
8. What are the functions of the Wheat Board as at 1940? How do they compare with those of 1935?
9. What does the Prairie Farm Assistance Act offer the grain farmers?
10. Does the Grain Futures Act provide the necessary forms of regulation that will ensure proper protection against speculation at the expense of the farmer?





### SECTION 3.

## THE PART PLAYED BY THE AMERICAN FARMER IN MAKING AGRICULTURAL POLICIES



The foregoing survey has been made to give a brief summary of government action in relation to the wheat industry in Canada. Government activity in times of depressions is particularly significant. In the United States drastic measures were taken with the onslaught of the depression which greatly widened the scope of state action.

In the following sections we will study some of the United States government activities designed to help farmers during recent periods of economic distress. We, in the Canadian West, should carefully appraise the work being done over there, and in the light of these facts and our own experience formulate our own agricultural policies.

It is of interest to note the part played by the American farmer and his organizations in making agricultural policies. We shall deal only with the period from 1920 on, with special emphasis on the agricultural adjustment legislation of 1933 to the present day.

### CONGRESS AND THE FARMERS

For nearly two decades, organized agriculture's drive for a solution of the farmer's economic problem has kept agriculture in the foreground at Washington. In the twenties, Presidents Harding and Hoover called special sessions of Congress to consider the farm problem. President Coolidge called a national conference of farm leaders and also appointed an Agricultural Conference Committee to consider the surplus problems. In addition many secre-



taries of agriculture, at the direction of the presidents, have called special conferences at which farm leaders were represented. Furthermore, a number of bills designed to aid agriculture were presented to Congress. In the thirties, Mr. Roosevelt worked in close co-operation with the farm organizations.

Thus immediately after inauguration (March, 1933) President Roosevelt called in the leaders of the national farm organizations such as The Grange, the Farmers' Union and the Farm Bureau, and told them they could write the farm program, and that he would support them if they would get together and agree on a plan. For Mr. Roosevelt had said more than once that the new farm relief plan must be written by the farmers themselves. The results are known to all of us — the Agricultural Adjustment Act.

After the Act was passed in May of 1933, representatives of each commodity group — dairy products, cotton, grains, fruits, livestock — were consulted and asked to assist in the writing of a production and marketing program for their respective product.

In the case of wheat, a group of farm leaders met in Washington with the specific purpose of drawing up a wheat program. They pressed for prompt application of the allotment plan to wheat, with early distribution of benefit payments. (The allotment plan and the benefit payments will be dealt with in the next section.)

The following illustrations show the manner in which these organizations functioned in the writing of the legislation. Although they agreed upon the whole, each organization acted in its own interest as well.

1. When the Agricultural Adjustment Act was drafted in 1933 the marketing agreement and license provisions were to apply only to basic commodities (wheat, tobacco, cotton, corn, dairy products, etc.) as an alternative approach to production control. The representatives of the co-operatives handling general crops (fruits, vegetables, nuts, and dairy products) recognized the opportunity of making their organizations more effective and fought to broaden the marketing agreement and license provision. The move to secure a broadening of the Act was led by the Farm Bureau, largely in response to the aggressive interest taken in the matter by the California Farm Bureau representing producers of a great variety of minor crops, chiefly horticultural. It appears that the support of these groups was decisive in securing the inclusion of the marketing agreement provisions in the amended AAA Bill which was submitted to the new Congress in 1933. In the process they saw to it that the limitations to basic commodities were removed and a measure was secured which held out hope of conferring benefit on any class of agricultural commodities.

2. Credit for getting dairy products on the basic list of agricultural products as well as under the marketing agreements is apparently due to the influence of the National Co-operative Milk Producers Federation. It is not easy to refuse the demands of an organization representing fifty-three co-operatives having approximately 350,000 members.

It is of little wonder that the Farm Bureau publication "The Bureau Farmer" stated editorially in February, 1934, "The prestige and influence of the Farm Bureau in shaping national policies for agriculture has never been greater than now. The Farm Bureau's program is now being carried out . . ."

In turn, the other large farm organizations could claim credit for other features of the Farm Bill.

Furthermore, the producers are given the opportunity through the medium of their associations of inaugurating new marketing programs as they see fit. Through the democratic procedure of the use of the ballot and majority decision they may approve or reject any program and choose a plan suited to the particular type of commodity. The operation of the various agricultural programs has become of greater interest to the producers as they have participated more and more in the administering of such programs.

Thus it becomes more and more apparent that in the United States the farmer and his organizations have been among the prime movers of most agricultural legislation designed to help them. All the leading farm organizations as well as editors of farm journals were represented on the Advisory Committee on Agriculture appointed by Secretary Wallace.

The reason why farmers were able to participate so actively in the administration activity is given in a concise fashion in the 1938 report of the Agricultural Adjustment Administration: "... moreover the farm group was in a position to demand a voice in shaping governmental activity which affected them. During the long period of farm relief agitation, farm organizations had built up powerful followings. In this period a strong independent leadership arose which had to be reckoned with and consulted in the development of any farm program."

The following is a brief description of the three major farm organizations in the United States. These are the National Grange or the Patrons of Husbandry, better known as The Grange; the Farmers' Educational and Co-operative Union of America, more commonly known as The Farmers' Union; and The American Farm Bureau.

**THE GRANGE** was founded in 1867. The early interests of the organization were social, fraternal and educational. Later, they turned to co-operative activity, organizing buying and selling associations. This farmer organization was a pioneer in the field of producer co-operative activity. However, after 1880, the relationship between The Grange and the co-operative movement became less direct, although The Grange has continued to promote co-operative effort. At present, in addition to the support of the co-operative movement, social and educational features are emphasized and support is given to legislative measures in the interests of the farmers.

**THE FARMERS' UNION** was founded in 1902 in the State of

Texas. The Union's outstanding activity has been the promotion of co-operative enterprise. It has favored militant action in the interests of farmers and, like The Grange, has given support to legislative measures designed to assist farmers.

**THE AMERICAN FARM BUREAU** is the youngest of the three organizations, being established in 1919. Like the other two, it is a voluntary organization of people engaged in farming, and has for its object the promotion of the economic and social interests of agriculture. Although the early Farm Bureaus were exclusively educational organizations, as time went on they became more and more interested in activities along commercial and legislative lines. The Farm Bureau has sponsored co-operative activity among farmers. It was also responsible for the organization of an agricultural bloc in the Congress and the Senate during the early twenties. Since that period the Bureau has maintained an active lobby in Washington.

The three farm organizations with a total membership of approximately one million, while differing in organizational set-up, spheres of influence, and methods, have three purposes in common. These are: education, promotion of co-operation and support of legislative activity.

Besides these three major organizations there are many smaller educational farm groups. In addition, there are the strong commodity co-operatives among wheat producers, dairy farmers, fruit growers, et cetera, whose aims are the economic betterment of their respective membership.

These farmer organizations can point with pride to their successful efforts, but it must be borne in mind that a great deal of work and time has been put into building such organizations before the above mentioned results were attained.

### Questions

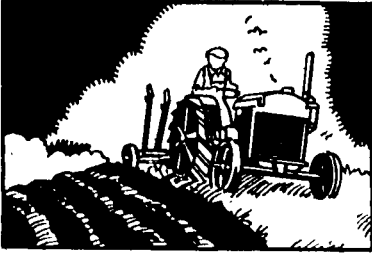
1. Why were the American farmers able to play such an important part in the writing of agricultural legislation?
2. Can the Canadian farmer exert the same influence? If so, how?
3. What are the objectives of the major farm organizations in the United States?

## SECTION 4.

### THE STORY OF GOVERNMENT ASSISTANCE IN THE UNITED STATES TO THE WHEAT PRODUCER

The economic problems of the wheat farmers in the United States are very similar to those of the Canadian wheat growers.

It is interesting to see what they have done in this respect—that is in solving these problems.



During the last twenty years the United States Government has been concerned with the economic difficulties of the wheat farmers. However, it was not until 1933 that the American government in co-operation with the agricul-

tural producers embarked upon an active program designed to improve the economic position of all farmers as well as the wheat growers. The agricultural adjustment program from that date to the present has been all-inclusive—taking in every major agricultural commodity. Furthermore, the program aimed to do more than help the growers of certain agricultural products—it has sought to attain permanent improvement through soil conservation, rural rehabilitation, reduction of farm debt, increase of farm ownership, et cetera.

In this section, we shall outline some of the major features of agricultural adjustment policies in the United States with major emphasis upon the adjustment program for wheat.

#### The Period 1923-1933

In the period between 1923 and 1933 the problem of wheat was constantly before the growers as well as the government. In order to meet this complex problem, farmers organized co-operative grain elevators, terminal sales agencies and wheat pools. Many important benefits came from co-operative marketing of wheat. However, as has been previously mentioned, because of the difficult international situation farmers had to turn to the government for assistance.

First, the McNary-Haugen plan was worked out (1924, 1927 and 1928). This measure was designed to help the wheat growers as well as some of the other producers. This plan was to make the tariff effective on wheat by segregating exports from the

domestically consumed portion of the crop. The idea was to maintain domestic prices well above world levels and export the surplus at the world price. However, because of presidential veto, the bill did not become law.

Then came the Farm Board of 1929. The Farm Board was created under the Agricultural Marketing Act. This legislation was designed to assist in the development of large scale co-operative marketing organizations and also for stabilization operations. The Farm Board urged wheat producers to curtail their acreage because export demand was declining. At the same time large quantities of wheat were purchased on the open market with government funds and stored for relatively short periods in the attempt to stabilize prices. Funds were not sufficient to maintain the so-called "pegged" price over a long period of time when wheat production was not diminished. When the Stabilization Corporation ceased buying, prices again resumed their downward trend. The depression of 1929-33 caused a tremendous disparity between prices of farm commodities and the price of goods and services that farmers usually buy. The collapse of farm prices caused a heavy loss in farm valuations, in which farmers' equities were destroyed. Something had to be done. Congress provided the means for dealing with this problem.

### **Agricultural Adjustment Act, 1933**

In 1933 at the instance of the farmers and their representatives, the Agricultural Adjustment Act was enacted. The Act provided for the voluntary co-operation of the farmers with the government in an effort to correct the situation which had created a great national emergency. This is regarded as the first phase of the New Deal Agricultural Policy—it may be called the production adjustment period. The major feature of the legislation provided for the restoration of farmers' purchasing power. First, this was to be done by obtaining higher income by means of benefit payments. These benefit payments to farmers were made for their participation



in the production control and reduction programs for certain agricultural products designed as basic. These were originally wheat, cotton, corn, hogs, rice, tobacco and milk. Later the following were added: rye, flax, sugar, grain sorghums, cattle, peanuts,

potatoes, sugar beets, and sugar cane. Second, the Secretary of Agriculture was authorized to enter into marketing agreements with producers, processors and distributors of agricultural products so that competitive waste might be eliminated, trade practices improved, surpluses moved into markets for consumption and producers' prices raised.

One of the main objectives of the AAA was to cut down production, temporarily at least, of great staples of which the United States produces an export surplus, in order particularly to reduce supplies which had been carried over and were not readily saleable, and to raise prices of these products both immediately and in the long run.

A second objective was to put funds promptly in the hands of farmers. These were paid to induce farmers to curtail acreage or production as "rental or benefit payments" and to provide an additional return, supplementing the market price, to bring total return nearer parity.

The other important agricultural measure passed by Congress at that time was the establishment of the Farm Credit Administration. The purpose of this move was to assist mortgage-laden farmers and also to amalgamate all federal credit agencies. This will be dealt with in a subsequent section.

After the passage of the AAA, representatives of leading general farm organizations and farmers' co-operative marketing associations were called together by the Secretary of Agriculture to draw up a plan for applying the provisions of the Act among other products to wheat. Out of the conference came a plan for a production adjustment program, which was operated for three years.

There were three immediate objectives in the Act of 1933:

1. Early additions to the cash income of the distressed wheat growers.
2. Contraction of wheat acreage.
3. As a result of number 2, a reduction in yield and in turn a reduction in the carryover, with consequent influence on wheat prices.

The outstanding element of the wheat program was the application of what was called The Wheat Adjustment Plan. It consisted of the following:



1. Allotment benefits were paid to co-operating wheat producers in 1933, 1934 and 1935.
2. To qualify for such benefits a grower had to agree to reduce his wheat acreage for 1934 and 1935 by not more than 20% (it was actually 15%) of his average acreage in a three-year base period (1930-32) and to sow enough acres to yield, at an average, at least the number of bushels in his allotment.
3. Such allotments were designed to be proportionate to the individual grower's share in the total amount of wheat domestically consumed.
4. To provide the funds for the benefit payments, a processing tax was levied and collected upon the first processing of the commodity, and paid by the processor. This tax amounted to 30 cents a bushel on the portion of the crop consumed on the domestic market. The use of the processing tax for acreage control was declared unconstitutional by the United States Supreme Court on January 6, 1936.

An additional feature of the AAA of 1933 was the parity payment concept. The AAA of 1933 declared that it was the policy of Congress to raise the purchasing power of the American farmers to the level which it occupied in the "base period" the five years 1909 to 1914, when, according to the Administration's view, agricultural and industrial production were well balanced and the national income was equitably distributed. Using this period as a base, a parity price for wheat was determined. In other words, the parity price for wheat is the price at which wheat would have to sell at present to give the commodity the same purchasing power, with reference to articles farmers buy, as wheat had during 1909-1914.

The parity price payments were based upon the difference between the average farm price and the parity price for the marketing year during which payments were made.

The cash gains attributable to benefit payments made in connection with the production adjustment program totalled \$315,800,000.00 for the three years 1933-1935. No payments were made for wheat acreage adjustment in 1936-37 and 1937-38, wheat being one of the several soil-depleting crops.

### **Soil Conservation and Domestic Allotment Act**

On February 6, 1936, Congress passed the Soil Conservation and Domestic Allotment Act to replace the AAA of 1933 (parts

of which, such as the sections dealing with production control provisions and processing taxes, had been declared unconstitutional by the U.S. Supreme Court, January 6, 1936). The earlier goal of increasing agricultural income or a more equitable balance between farm and industrial income was retained, but the methods were different. The new Act shifted the emphasis of the co-operative program from production adjustment to soil conservation — the protection of the land resources of the nation.



The basic procedure which characterized the new conservation act was the payment of cash benefits to farmers to offset the cost of a soil conservation practice.

The payments were made to those taking land out of soil-depleting crops, e.g. wheat, cotton, corn, tobacco, rice, et cetera, and increasing the acreage of soil-building and soil-conserving crops, e.g., legumes and grasses, et cetera.



A national soil conservation acreage was established. Each farmer was allotted his share, that is the number of acres of soil-

depleting crops he had to divert to soil-conserving crops (about 13%). Payments were made on the basis of allotment.

Payments for diversion from general soil-depleting crops acreage base of the farm in 1936 were at the rate of \$10.00 an acre, adjusted according to the relative productivity of the land so diverted, as compared with the acreage productivity of all land in farms in the United States. In 1937 the diversion payment was \$6.00 and an additional \$4.00 was added to the payment for soil building practices.

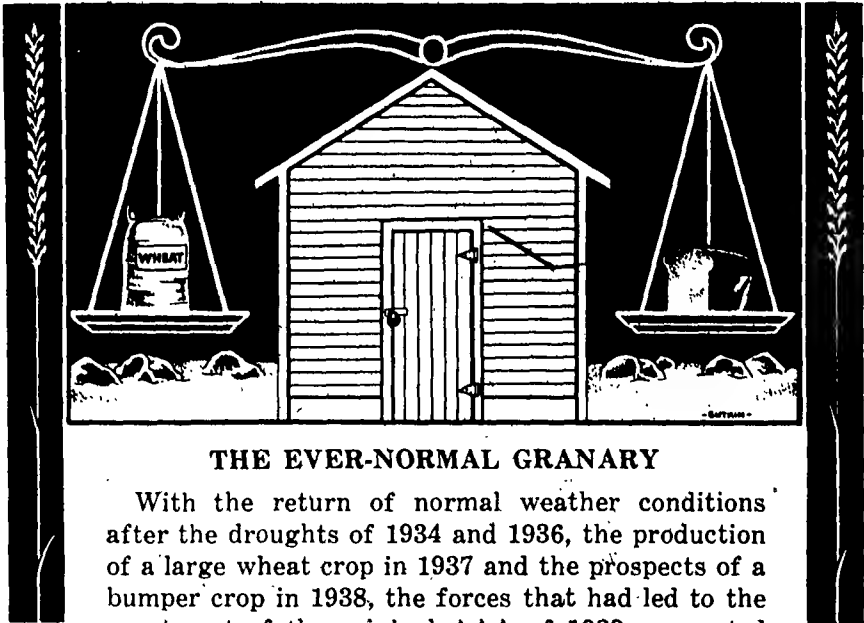
The programs for 1936 and 1937 under this Act did not contain any specified provisions for the control of wheat acreage.

In summation, the period 1936 and 1937 may be considered as the second phase in the New Deal agricultural policy — the soil conservation period.

### Questions

1. What were the aims of the Agricultural Adjustment Act of 1933? In what ways did it differ from the Soil Conservation and Domestic Allotment Act of 1936?
2. What criteria would you consider in deciding whether an acreage reduction program for wheat is applicable to the Canadian West?
3. What is meant by parity price? Is such a goal for the Canadian wheat grower acceptable?
4. What part did the U.S. government play in establishing the Agricultural Adjustment Act?

## SECTION 5.



### THE EVER-NORMAL GRANARY

With the return of normal weather conditions after the droughts of 1934 and 1936, the production of a large wheat crop in 1937 and the prospects of a bumper crop in 1938, the forces that had led to the enactment of the original AAA of 1933 reasserted themselves. Farmers felt the losses of foreign markets. With the accumulation of surpluses of wheat as well as of other major agricultural crops, prices declined rapidly.

In the spring of 1938, the Congress passed the new Agricultural Adjustment Act, supplementing the Soil Conservation and Domestic Allotment Act of 1936. The Act became fully operative in 1939. The new Act retained the conservation program features of 1937.

In addition to the agricultural conservation program, there is the Ever-Normal Granary program. The purpose of the Ever-Normal Granary is to regulate interstate and foreign commerce in cotton, wheat, tobacco and rice to the extent necessary to provide an orderly, adequate and balanced flow of commodities so that farmers will get fair prices and consumers will be assured adequate and steady supplies. The Ever-Normal Granary is a program designed primarily to attain stability in marketing — stabilizing supplies and prices.

The Ever-Normal Granary program supplies the following means for the attainment of the above mentioned purposes for wheat:

- (a) Soil conservation and acreage allotment designed to prevent the stored surplus from growing too large.
- (b) Marketing quotas.
- (c) Wheat loans through the Commodity Credit Corporation, to hold price-depressing influences in check.
- (d) Crop insurance.

### National Wheat Acreage Allotment

The stabilization efforts of the AAA program begin with production plans for farm marketing. The mechanism for the initial operation is the fixing of national acreage allotments for soil-depleting crops—in this case, wheat. These allotments are designed to point out the advisable decrease or increase in crop plantings devoted to soil-depleting crops which will still leave such plantings safely above the level required for adequate production.



Two main steps are involved in determining the national wheat acreage allotment. First, the average amount of wheat consumed in the United States and sold abroad during the preceding ten years is determined. To this figure is added 30% — to provide a margin of extra supplies. This total supply is the objective for the next year. If there is a carryover it is subtracted from the total supply needed and the result is the amount of wheat which must be produced to reach the objective.

The second step, the amount of wheat the country should produce is converted into acres. This is done by dividing the total amount of wheat by the average yield per acre in the United States. This should give the required number of acres that must be planted to wheat during the year to yield enough for food, feed, seed, export and reserves against unpredictable circumstances. Each farmer receives his farm allotment which takes into account the amount the farm has been producing in the past as well as the amount it should supply if operated on a sound soil-conserving basis.

Farmers can plant in accordance with their acreage allotment if they want to — it is optional. But farmers who do not join up with their fellows in the program to balance supplies with current needs are not eligible to receive soil conservation or price adjust-

ment payments or loans on their wheat. Thus, in 1939, the conservation and parity payments amounted to 28 cents a bushel. Conservation wheat rate was 17 cents a bushel on the normal yield of the acreage allotment; parity payment, 11 cents a bushel.

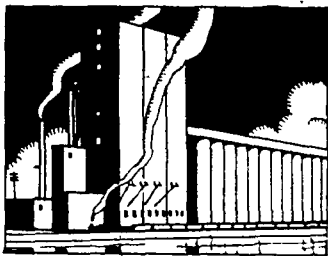
In working out acreage allotments for wheat for individual farms, the job is performed by local and county committees of farmers selected by farmers in co-operation with the Administration.

### Marketing Quotas

In years of quite unusual surpluses, when the co-operation of all producers would seem to be necessary if serious price depressions are to be avoided, the program makes possible the use of marketing quotas. The marketing quota provisions of the Act apply to all producers and give them a co-operating means of minimizing excessive surpluses and shortages of wheat.

When it appears that wheat supplies available during the next marketing year will exceed normal needs for consumption and export by more than 35% the Secretary of Agriculture is obliged to declare the wheat marketing quota provisions in operation and if two-thirds of the farmers voting in a national referendum vote their approval, the measure continues in effect. When the quota is in effect, farmers may sell their share of the national quota which provides enough wheat to meet all market needs. But for every bushel of wheat farmers market over their quota, they must pay a penalty of 15 cents. The extra wheat, however, is not a load on the farmer's hands. By safely storing the excess wheat, he can get a loan on it from the Commodity Credit Corporation. During the years 1939 and 1940, respectively, the supply was below the marketing quota level determined; therefore no marketing quota was proclaimed.

### Wheat Loans



Loans to farmers to enable them to hold their crops, an important measure for protecting them against sudden price declines, became under the AAA of 1938 an essential instrument in carrying out the Ever-Normal Granary for wheat (exclusive of marketing quotas). These loans were a continuation of the practice which had been followed since 1933 by the federal government. The loan works in the following manner:

1. When the price of wheat on June 15 of any year falls below a certain level, or
2. When the crop estimate made by the Department of Agriculture in July indicates that the wheat harvest for the coming year will be greater than the normal for feed, food, seed and export, then wheat loans are made available to co-operating farmers by the Commodity Credit Corporation, a loan agency within the Department of Agriculture. The wheat loans enable farmers to store excess wheat when it is dragging farm prices down.

When the farmer borrows money under this plan he gives his wheat as security against his loan. This wheat is taken off the market. It may be stored in approved commercial warehouses or it may go into sealed granaries on the borrower's farm, in which case the farmer becomes the custodian for the federal government of the wheat he puts up for security. The average loan rate per bushel of wheat in 1939 was 63.3 cents.

It should be noted that these loans are to be made on the basis of not less than 52% and not more than 75% of the parity price of wheat at the beginning of the marketing year. In other words, a minimum price per bushel of wheat is established, and the grower has the choice of using the open market if the price is above this minimum, or to store his product.

In summary, the purpose of the loans is twofold:

1. To put a plank under prices of farm products, wheat in this case, when these prices are greatly depressed by oversupplies in markets.
2. To enable farmers to carry over from a good year supplies not immediately required for consumption, and thus have those supplies available in years when crops are short.

### Crop Insurance

Farmers can get insurance on their wheat crops. They can get policies that cover either half or three-fourths of the normal yield on their acreage allotments. To handle this insurance business, Congress created the Federal Crop Insurance Corporation, an agency of the Department of Agriculture. To get insurance a wheat farmer pays his premiums in wheat or in cash. When he pays in cash the FCI takes the cash and buys wheat. This wheat is stored. The Corporation is not authorized to buy or sell

wheat on the market for any purpose other than to add premium wheat to its reserves, pay claims for losses of producers, or to prevent deterioration, or to change the location of stored wheat. At the end of the growing season, those farmers who have lost their crops for any reason at all report to the FCIC. The FCIC pays off the losses in wheat or in cash. The crop insurance provisions of the Act are designed to alleviate economic distress among producers and consumers caused by crop failures or other causes. Besides protection, the crop insurance scheme results in keeping excessive wheat surpluses off the market in years of high production and carrying them over to be returned to farmers, and marketed by them in years of crop shortage. This will help to maintain a reserve of wheat and to stabilize the market. Nearly 380,000 contracts were in effect on the 1940 crop, insuring the production against all unavoidable hazards on approximately twelve million acres. The total guaranteed production was estimated at more than 106 million bushels. The premiums paid by insured growers were about 14.7 million bushels.

### Parity Payments

In addition, the AAA of 1938 also authorized payments of federal funds directly to producers of corn, wheat, rice or tobacco for the purpose of re-establishing farm income and purchasing power somewhat nearer the pre-war level. For the wheat farmer parity is the price he must get for a bushel of wheat in order to have the same purchasing power he had in the pre-war period 1910-14. Such payments were authorized to be made to producers on the normal production of listed commodities, if and when appropriations were made for them, and were to be allocated among commodities on the basis of the amount by which they were below parity. These payments were to be made in addition to and not in substitution for any other payments.

The Agricultural Adjustment Act of 1938 made no appropriation for this purpose but the Price Adjustment Act of 1938 provided \$212,000,000 for these payments. Under the terms of the Act parity payments on any crop are to be made only to producers who do not exceed the acreage allotments established for such crop for their farms. Furthermore, the payments are limited to the amounts required to bring the return, including the farm price, from any commodity up to 75% of the parity price. The payments are to be made on the basis of normal yield of the farm acreage allotments established under the 1939 Agricultural Conservation Program. The wheat parity payments for 1939 and

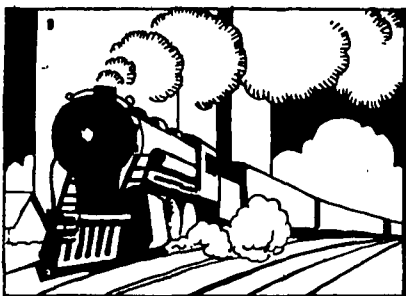


1940 were respectively 11 cents and 10 cents a bushel on the normal yield of their acreage allotments.

The AAA of 1938, which is regarded as the third phase of the New Deal Agricultural Policy, adds to the program of soil conservation a program for acreage adjustment and stabilized marketing.

The wheat programs for 1939 and 1940 are the same as those for 1938 with some minor modifications.

In addition to the above, the Administration has during this period, 1933 to 1940, provided other measures to aid wheat growers.



1. **Participation in the International Wheat Agreement of 1933.** This agreement was signed by most of the important wheat-exporting and wheat-importing countries, including Canada. Its objective was to raise wheat prices through reduction of supplies and increased consumption, as well as a

lowering of tariffs. However, the agreement was never put into effect.

2. **Facilitation of Exports.** With a view to promoting wheat and flour exports the Secretary of Agriculture entered into a marketing agreement with exporters and flour millers in the Pacific Northwest in the fall of 1933. The North Pacific Emergency Export Association, which acted as the agency, purchased wheat and flour which it sold in the foreign market at prices lower than prices being paid on the domestic market.

The operations prior to 1936 were financed through the processing tax. After January of 1936 the government financed these operations.

Because of short crops in 1934, 1935 and 1936, export operations were rendered unnecessary.

In 1938 the Administration assisted in the export of wheat through financing the operations of exporters who found it necessary to sell to buyers in other countries at prices lower than current market prices paid to domestic producers.

The United States is continuing this policy, as it is designed to maintain a share of the export market for American farmers.

3. **The Federal Surplus Commodities Corporation (now Surplus Marketing Administration).** The Administration, through the Federal Surplus Commodities Corporation, has bought up wheat and flour for relief distribution as well as financing exports. The purpose of these purchases is to stabilize the market by moving price depressing surpluses off the market and at the same time to help the low income and relief groups by providing wheat at low prices.

In the period between October, 1933, and July 1, 1937, the F. S. C. C. purchased \$22,500,000.00 worth of wheat and flour.

The following quotation is an illustration of the latest activities of F. S. C. C. on behalf of the wheat grower:

"For the year ended June 30, 1939, sales of wheat and flour for export totalled about 118 million bushels of which about 107 million were exported before the end of the fiscal year. These sales included 90 million bushels of wheat and 28 million bushels of wheat in the form of flour. Of the total sales for export, sales of approximately 94 million bushels were assisted by the federal export program. These sales consisted of about 70 million bushels of wheat in the form of grain sold by the Federal Surplus Commodities Corporation for export and 24 million bushels of wheat in the form of flour on which an indemnity was paid. During the last part of the fiscal year the Federal Surplus Commodities Corporation purchased 4.4 million bushels of wheat from the Commodity Credit Corporation under the wheat-loan-liquidation program. This wheat is not included in the above figures. With the exception of this wheat bought from the Commodity Credit Corporation, purchases and sales of wheat by the Federal Surplus Commodity Corporation were in balance at the end of the year.

"Our net exports for the year ended June 30, 1939, are considered to be a fair share of the world shipments of approximately 600 million bushels for that year. It was for the purpose of securing approximately this share of the world export trade that the Federal Surplus Commodities Corporation financed the movement of 94 million bushels of wheat during the 1938-39 marketing year. This export program has been continued since July 1, 1939, but with the existing international situation, sales since September 1 have been at a greatly reduced volume. Since September 1 payments in the amount of about 25 cents per bushel have been made in order to assist in the

export of a small quantity of wheat which has gone principally to Central and South American republics. During August it was necessary to make payments averaging nearly 36 cents per bushel. During the 1938-39 marketing year payments under the export program averaged about 29 cents per bushel."\*

4. **Regulation of Grain Trade Practices.** The United States government has also taken steps to regulate the grain trade. A detailed description would require a section in itself. However, we shall mention one of the latest provisions designed to maintain the competitive nature of the grain market.

To assure some degree of competition on the futures markets the Commodity Exchange Administration in December, 1938, set a limit to the permitted extent of individual speculative activities. In each of the grains (wheat, corn, oats, rye, barley or flaxseed) no one on a single day may buy or sell as a speculation more than 2,000,000 bushels of futures, and no one may accumulate an open speculative position in excess of 2,000,000 bushels on a futures market.

The supervision of grain futures markets is in the hands of the Commodity Exchange Administration.

## Conclusion

It is apparent from the available facts that the United States government has assisted the wheat growers in a most active fashion. However, the necessary leadership has been provided by farmers and their organizations. The wheat program, designed to meet temporary emergency situations, as well as recurring difficulties, was written by the farmers in co-operation with the government.



"Now, as the wheat farmers of the United States face the future, the prospect of limited opportunities in the world market continues to confront them. There is little to encourage confidence that the days of the free and expanding wheat markets will return. Before they do, our farmers may find it necessary to make still further adjustments, and they may find it increasingly necessary to cushion the

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\*Report of the Secretary of Agriculture (U.S.), 1939, page 90.

effects of world developments. If this should be necessary, they have a program to do the job. It is a voluntary program, run by farmers themselves.

"That very democracy of operation — that farmer leadership springing from the thousands of communities all over our land — is the key to the success of the program. The nation, through Congress, gave agriculture the power to solve its problems, but the job of making that program work is in the hands of the farmers.

"Each year the co-operators in each of the nation's more than 24,000 agricultural communities hold election meetings. They pick their own community committees, and at the same time pick delegates who will help elect the county committees in more than 3,000 counties. Altogether there are more than 135,000 community and county committeemen, elected by farmers from their own ranks.

"These committeemen are the bulwark of our farm program administration. Their suggestions, within the bounds of legislation, go into the making of the programs from year to year. Their work carries the program to the farmers. They are the administrators of the program right on their home grounds among their own neighbors. The program has come through the severe tests of the last two years, and it will continue to furnish farmers a democratic solution of their problems."†

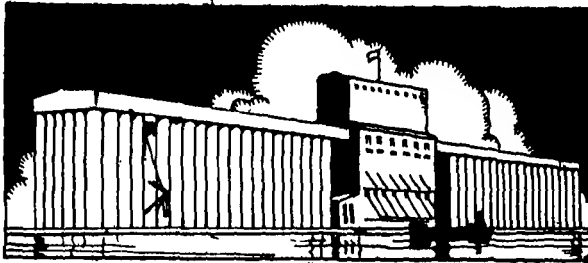
### Questions

1. What features of the American wheat program would you apply to our own wheat growers?
2. What is the Ever-Normal Granary plan? Would you favor a similar plan in Canada? If yes, why? If not, why?
3. Is crop insurance a practical scheme for wheat farmers? What direct and indirect advantages are offered by crop insurance?
4. In what way or manner does the marketing quota for wheat help each individual wheat farmer? If you disagree, what are your reasons?

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† Extract from an address by R. M. Evans, Administrator, Agricultural Adjustment Administration, before the annual meeting of the Saskatchewan Wheat Pool, Regina, Sask., November 9, 1940.

5. What has been done by the U.S. government to facilitate exports?
6. Does the distribution of surplus wheat and flour appeal to you? What advantages and disadvantages could you list?



## APPENDIX

The following section was issued by the Division of Information of the Agricultural Adjustment Administration, United States Department of Agriculture. This circular is included because it provides an excellent summary of the previous sections.

Farmers in studying the Canadian and American agricultural policies should not jump to any conclusions. We cannot borrow policies or programs. Policies and programs must be moulded to fit the conditions of the particular area in question. The American farmer has built an agricultural program designed to meet his needs. The Canadian farmer, in turn, as has been indicated, should carefully appraise the work done in other countries, and in the light of these facts and his own experience construct an agricultural program designed to meet his needs.

### UNITED STATES DEPARTMENT OF AGRICULTURE AGRICULTURAL ADJUSTMENT ADMINISTRATION

Division of Information.

November, 1940.

### THE NORTH AMERICAN WHEAT SITUATION

Canada and the United States are two of the world's greatest wheat producers. Both countries have developed wheat plants capable of producing far in excess of home needs, and as a result both are dependent upon a free and orderly world wheat trade. In recent years nationalism, controlled commerce, and artificial trade barriers have destroyed a large part of the world export market. This means that the North American wheat farmer who produces for export today faces a severe problem of plentiful wheat and no market.

The following makes a comparison of the situation in Canada and in the United States, and also compares the programs now in operation to solve the problems.

#### The 1940-41 Situation

##### Canada

**ACREAGE**—28.7 million acres sown for 1940 harvest as compared with 26.8 million acres in 1939, and 25.5 million acres, the previous 10-year average.

**PRODUCTION** — 561 million bushels, second only to 567 million bushel crop in 1928, compared with 490 million bushels in 1939 and 309 million bushels, the 10-year average\*.

##### United States

**ACREAGE**—64 million acres for 1940 harvest as compared with 64 million acres in 1939, and 70 million acres, the previous 10-year average.

**PRODUCTION** — 792 million bushels as compared with 755 million bushels in 1939 and 755 million bushels, the 10-year average.

**CARRYOVER** — 301 million bushels, as compared with 103 million bushels on August 1, 1939, and 185 million bushels, the 10-year average.

**SUPPLIES** — 862 million bushels as compared with 593 million bushels for 1939-40 and 445 million bushels, the 10-year average.

**DOMESTIC CONSUMPTION** — 125 million bushels is estimate for 1940-41 as compared with 84 million bushels for 1939-40 and 114 million bushels, the 10-year average.

**EXPORTS** — Estimates are not yet available for 1940-41. In 1939-40 exports were 208 million bushels which was nearly one-third of world exports, as compared with 167 million bushels in 1938-39, a 201 million bushel average in 1930's and a 272 million bushel average in 1920's.

**SURPLUS** — From 1940-41 supply of 862 million bushels, deduct estimated 125 million bushels for domestic consumption. This leaves 737 million bushels available for export and carryover August 1, 1941.

\*The Dominion Bureau of Statistics revised figure of Canada's 1940 wheat crop is placed at 547,179,000 bushels. (Ottawa, November 8th, 1940.)

**CARRYOVER** — 284 million bushels as compared with 252 million bushels on July 1, 1939, and 238 million bushels, the 10-year average.

**SUPPLIES** — 1,076 million bushels as compared with 1,007 million bushels for 1939-40 and 1,002 million bushels, the 10-year average.

**DOMESTIC CONSUMPTION** — 685 million bushels is estimate for 1940-41 as compared with 675 million bushels for 1939-40 and 690 million bushels, the 10-year average.

**EXPORTS** — Prospects uncertain but exports to foreign countries and shipments to U.S. possessions may be 20 to 25 million bushels, as compared with 48 million bushels in 1939-40, a 60 million bushel average in 1930's and a 170 million bushel average in 1920's.

**SURPLUS** — From 1940-41 supply of 1,076 million bushels deduct estimated 25 million bushels for export, estimated 685 million bushels for domestic consumption. This leaves 366 million bushels for carryover July 1, 1941, which is 34% of the supply.

## Current Wheat Programs

### Canada

**ACREAGE ADJUSTMENT** — None now. Reports indicate that some plan may be under consideration.

### United States

**ACREAGE ADJUSTMENT** — Allotments based on nation's wheat needs, export outlets, and reserves, give each farmer opportunity to co-operate in adjusting acreage and to avoid wasteful over-production.

### **LIMITED MARKETING —**

Because of inadequate storage space, amount of wheat each farmer could sell was allocated on basis of seeded acreage. First this was 5 bushels. Later this was raised to 8, 10, 12 or even 15 bushels per acre at various points with an average of 10 bushels delivered, somewhat over half of the average yield.

**STORAGE —** No loans, but farmers are allowed  $1/45$  of a cent a bushel a day (about  $2/3$  cent a month) for holding wheat on their farms. This is effective for 9-month period.

**PRICE—**Government through Wheat Board offers to buy wheat from the producer at fixed price, 70 cents a bushel on the basis of No. 1 Northern Spring f.o.b. Fort William. On the basis of the usual differential, the farm price in prairie provinces would probably be about 50 cents on bulk of wheat. If Wheat Board can sell wheat at a profit the profit is prorated to farmer.

**CROP INSURANCE—**None.

### **SURPLUS REMOVAL —**

Wheat Board may sell its wheat at home or abroad by making up the difference in fixed price to farmers and selling price.

### **MARKETING QUOTA —**

When supplies reach excessive levels in spite of allotments, farmers may approve use of marketing quotas to hold surplus off the market.

**STORAGE —** Program co-operators may store wheat under government loan averaging 56 percent of parity, until April 30, 1941. On farm-stored collateral, government pays borrowers 1 cent a month or 7 cents storage allowance for the full loan period if wheat is delivered to government.

**PRICE —** With conservation and parity payments totalling 18.1 cents a bushel on normal yield of acreage allotment and average loan rate of 63 cents, co-operator is assured 81 cents a bushel, on the average, regardless of market price. He has title to wheat and may take advantage of any price rise.

**CROP INSURANCE —** By paying premiums based on loss experience of locality and individual farm, farmer may guarantee himself 50 or 75 percent of normal yield, depending on type of policy.

### **SURPLUS REMOVAL —**

Some exports are being assisted by the government and the machinery is available for keeping a fair share of world market for the U.S. Increase in domestic consumption is encouraged by distribution of surplus products to needy, as through Stamp Plan.



**FINANCING** — Partly through federal appropriation and partly through a processing tax of 15 cents a bushel on all wheat converted into products, used for human consumption domestically. About fourth of crop affected.

**FINANCING** — Appropriation from federal treasury.

### Comparison of Programs in Action

For this illustration of how the Canadian and the United States wheat programs operate the same size farm with the same yield is used. It is assumed the operator of each farm has been seeding an average of 300 acres of wheat in the past. The average yield is assumed at 15 bushels per acre.

#### Canada

**SEEDING** — He would plant his entire 300 acres.

**PRODUCTION** — On the basis of an average yield of 15 bushels per acre, he would produce 4,500 bushels.

**MARKETING** — On the average he is permitted to market only 10 bushels per seeded acre, or 3,000 bushels. At about 50c a bushel, which is what bulk of wheat averages in Canada's major wheat country, 3,000 bushels brings \$1,500. If he can sell all his wheat later his total income from the sale would be \$2,250.

**LOAN.** — Except for loans which he may be able to get from private lending agencies, he has no other way of financing himself except by selling his wheat as he can.

#### United States

**SEEDING** — He would plant within his AAA acreage allotment. This would be roughly 20 percent less than his average acreage, or about 240 acres.

**PRODUCTION** — On the basis of an average yield of 15 bushels per acre, he would produce 3,600 bushels.

**MARKETING** — He may market entire crop or he may store it under loan. Average United States farm price for October, 1940, was 68c. If he sells his wheat at this price he gets \$2,448. This is in addition to his AAA wheat payments.

**LOAN.** — If he prefers to store his wheat under loan rather than to sell it at harvest time, he can put it under government loan which for the nation averages about 63c. On 3,600 bushels this would bring the farmer a total of \$2,268.

### STORAGE ALLOWANCE.—

After selling 3,000 bushels, he would have 1,500 bushels left. For storing this on his farm he will get 2/3c a bushel a month storage allowance, effective for 9 months. This equals \$90.

### GOVERNMENT PAYMENTS.

—There are none.

### INCOME—

Sale to Wheat Board.....	\$2,250
Storage allowance .....	90

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Total income .....	\$2,340
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Average price a bushel.....	52c
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### STORAGE ALLOWANCE.—

By storing the loan collateral on his farm, the borrower will get storage allowance of 7 cents a bushel for the 7-month loan period, if he delivers his wheat to the government at the end of the loan period. If he redeems his loan he does not receive a storage allowance.

### GOVERNMENT PAYMENTS.

—For planting within his acreage allotment the farmer receives a conservation payment of 8.1c and a parity payment of 10c a bushel of the normal yield on the acreage allotment. Altogether his payment would be \$652.

### INCOME—

Government loan .....	\$2,268
Storage allowance .....	252
Government payments..	652

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Total income .....	\$3,172
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Average price a bushel.....	88c
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